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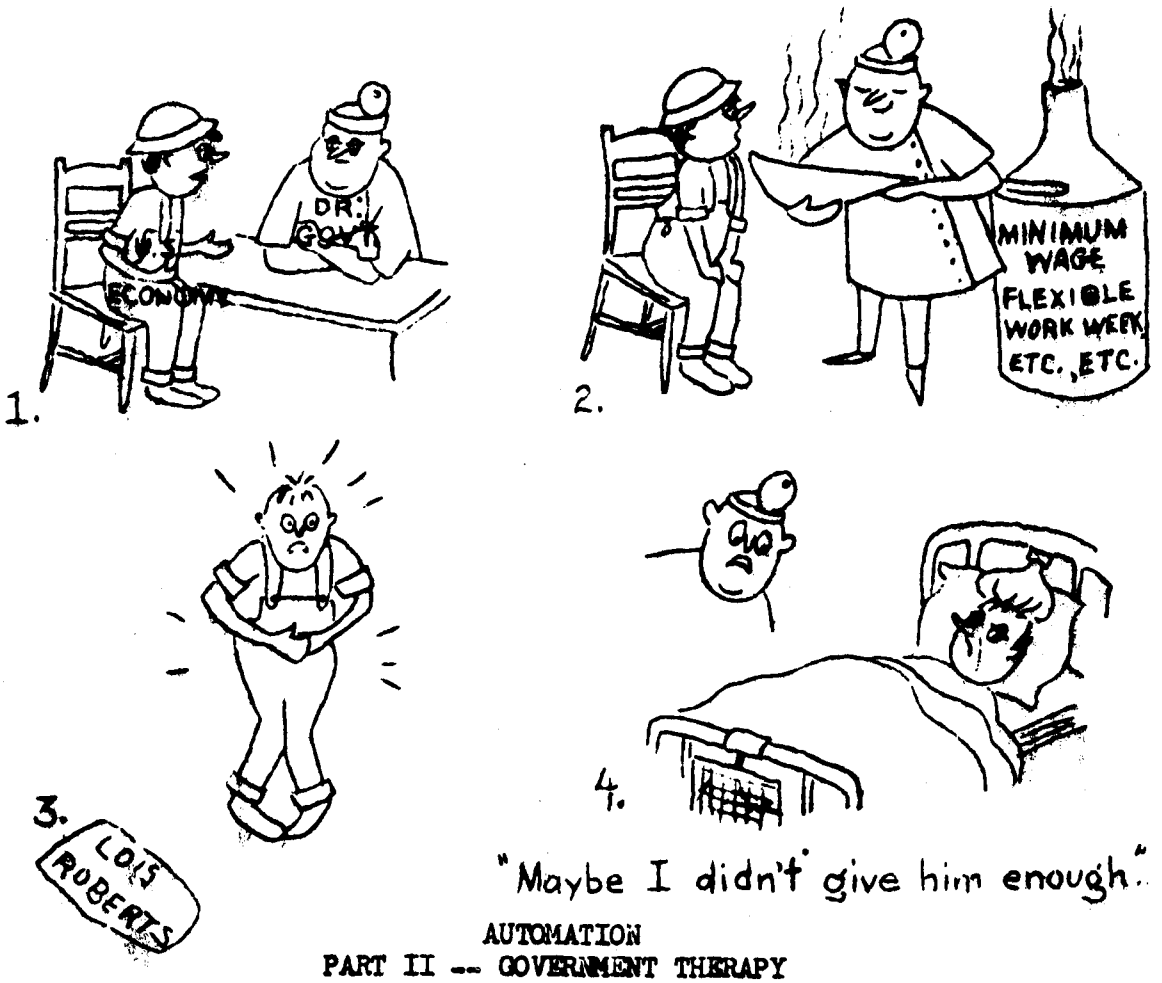

AUTOMATION
PART II -- GOVERNMENT THERAPY

National economic planners or would-be planners usually regulate the economy in the name of the "good" of one group or another--farmers, laborers, consumers, textile manufacturers, etc. Since the emphasis is always upon groups and how their needs can be satisfied, the individual gets lost in the crowd. The individual farmer, laborer or consumer is rarely considered outside of the economic group into which he falls. In effect, he is handled as a statistic.

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What is conspicuously missing in the plans of the planners is any reference to the question: Does an economic planner have the right to determine the economic decisions other men make? It is assumed that the answer is Yes. Any person arguing to the contrary is considered to be misguided, misinformed or misanthropic.

Minimum-wage laws illustrate the subordination of individual concerns to group action. John Doe may be an unemployed unskilled laborer who will not be hired at the going minimum wage. He may be quite willing to work for less, preferring to be self-sufficient on $4,000 a year than to receive a relief dole or an unemployment check. But he is only one man whose desires are overshadowed by the short-sighted group lobbying for minimum-wage laws. They are so short-sighted that they see him as no more than a blur. His voice is ignored. Doesn't he understand, they say, that it's "good" to have a minimum wage for the unskilled? What if he knows just the opposite? He has little recourse against those who put him in the position of having to accept a dole instead of a dollar earned through his own effort.

In last month's issue I described the nature of the causes of the current unemployment problem, which is alleged to be the fault of those who automate in industry. In many cases the worker is unemployed, not because of the normal risks a man must take in the marketplace when he sells his skill for a wage, but because economic planners have supposedly been working for his good. I have already examined the so-called "good" which comes from price-fixing, minimum-wage laws and labor legislation--further unemployment.

To use the language currently popular, there are several types of unemployment: 1) demand-shortage unemployment--that which results when "aggregate demand" (consumer and investment demand) is not sufficient in the economy to generate an adequate number of jobs; 2) seasonal unemployment--occurring when an industry employs people only for a specific part of the year; 3) frictional unemployment--that which results in any dynamic economy as people grow older, change locations, or enlarge their skills and education; 4) technological unemployment--that which results from automation; and 5) structural unemployment--defined as the hard-core, long-duration problem usually found in distressed areas.

With the exception of demand-shortage unemployment (which Walter Heller of the President's Council of Economic Advisers admits is the result of the overburden of government taxation), the question of unemployment is treated by most economists and publicists as a disease stemming from decisions made in the private sector of the economy. The publicity campaign against automation is directed at the private sector, with greatest emphasis upon technological and structural unemployment. It is rare indeed to see articles or books which show the manner in which government economic intervention destroys jobs.

By attacking the actions of the private sector of the economy, government officials are able to provide the rationale for their interference with business activity.

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They assume that it is self-evident that if the private sector "fails" so completely to provide solutions for economic problems, the public sector has to do so. The only issue which is debated is how the government can "cure" the economy. Thus, they begin a treatment program receiving support from many would-be national planners--intellectuals, journalists, and lobbyists for special interests.

The therapy is intended to cure every type of unemployment. The cure, however, comes in the form of a dangerous prescription--sugar-coated poison pills which increase or intensify the illness.

To counteract demand-shortage unemployment, the President's Council of Economic Advisers recommended the 1963 and 1964 tax cuts. Their purpose was to increase aggregate demand (by providing more money for consumers as a group to spend for goods and services) and productivity (by providing more money for industry to expand and produce more). This expansion was intended to create (and will undoubtedly help to create) more jobs for currently unemployed workers. This seems too obvious to require much comment. If the government takes a consumer's money in the form of taxes, he cannot use it to create demand. If the government takes an industry's money in a similar manner, it cannot use it for increased production to help create job openings.

It is certainly true that tax cuts, if accompanied by reductions in government spending, will help produce jobs. But since a businessman has no way of predicting future increases or decreases in taxes, he must take advantage of allowances and credits in a range-of-the-moment fashion. When the government accompanied these tax cuts with an easement of business depreciation allowances in an effort to spur new investments in machinery and equipment, it was a direct invitation to businessmen to automate further, perhaps prematurely. Premature automation, as I demonstrated last month, may lead to serious problems and to unemployment.

The most widely publicized forms of unemployment are technological and structural. Technological unemployment, as I showed last month, is short-range and self-correcting in the absence of government controls. Structural unemployment is usually associated with depressed areas and great poverty. These two forms of unemployment stem from entirely different causes. What is reprehensible is that national planners have blurred the difference, leaving the public with the vague sense that automation is some sort of faceless octopus with tentacles reaching from Appalachia to Detroit sucking up the jobs of innocent victims.

Why has structural unemployment received so much attention in recent months and years? "The hard-core unemployed averaged about 0.5 million a year from 1947 to 1957. In 1958 it rose abruptly to about 1.5 millions, and has continued at double or triple the 1947-57 levels every year since." (Stanley Lebergott, Editor, Men Without Work: The Economics of Unemployment, 1964) What are the explanations offered for this phenomenon? "One explanation of this increase has been offered by those who

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contend that automation is eliminating about 2 million jobs a year in the United States." (Ibid.) Another explanation comes from Joseph Zeisel, Economic Adviser to the U.S.Department of Labor's Office of Manpower, Automation and Training.He states that unemployment in these areas is "directly related to such factors as the shutdown of obsolete plants, the transfer of important local industries, closing of military instalations, changes in consumer demand, changes in technology, or the depletion of natural resources. Local employment cutbacks arising out of these developments have been particularly severe in coal mining and in textile, steel, auto, and machinery centers." (Men Without Work, op.cit.)

Note that with the exception of references to military installations and natural resources, the relevant "factors" all involve private economic actions. Mr. Zeisel describes these actions, however, as though they occured in a vacuum. One has to probe more deeply than this. Why were plants allowed to become obsolete or forced to shut down? Perhaps because of rising costs of production due to rising wages, or rising taxes? Why did local industries transfer to other areas? Perhaps because of rising costs of production due to rising wages, or rising taxes? Why were there changes in consumer demand? Perhaps because of rising prices due to rising costs of production which in turn are due to rising wages, or rising taxes? Why were there changes in technology? Ditto.

Mr. Zeisel may not want to raise these questions for any number of reasons. That is not our concern here. What is important is that rising production costs, caused by rising wages, and rising taxes are the direct result of government and union action.

Yale Brozen, Professor of Business Economics at the University of Chicago, gives an analysis of the relationship between intervention, depressed areas, and automation which is worth exploring at length. In addition to citing surveys and studies showing how the 1950 and 1956 increases in minimum wage rates have decreased the employment of the unskilled (particularly teenagers and women), minority groups, and people in disadvantaged areas of the country (such as the Southeast), Professor Brozen gives the following analysis of structural unemployment:

"Unions sometimes win wage increases which lift employment costs to levels exceeding those that would prevail in free markets. In these cases, a loss of employment opportunities occurs in the affected industries. Where these industries employ a large proportion of the people of an area, depressed areas conditions result. West Virginia suffers from the excessive wage costs imposed by the United Mine Workers. Michigan suffers from the unduly high wage rates set in negotiations between auto manufacturers and the United Auto Workers. Northern Indiana's depression is as much a consequence of the success of the United Steel Workers as it is of the decreased demand for steel. The relationship between wage rates and job opportunities, given any level of output, has been measured by the group working on

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regional economics at the University of Chicago under the direction of Dr. Stephen Sobotka. They have found, for example, that a 1 per cent increase in wage rates in the primary metal industry causes approximately a 1.2 per cent decrease in employment in the industry assuming no change in the output of metal."

Professor Brozen goes on to describe how "the current fashion blames unemployment on automation." He argues that automation is occurring rapidly today in response, primarily, to high wage costs "set above the levels compatible with productive use of the available manpower."

The most significant part of his argument, however, provides a revealing answer to those who perpetuate the myths about the evils of automation: "If automatic techniques had not been available, unemployment would be much greater than it now is in these industries. (Italics mine.) Without automatic techniques, the task of increasing productivity sufficiently to make a man worth employing would have required the concentration of the available capital on even fewer men. More men would have, then, lost their jobs as a consequence of the increases in employment costs which have occurred." (Men Without Work, op. cit.)

What are the major government programs now in effect (or suggested for the future) to cure structural and technological unemployment? First is the Area Redevelopment Agency (ARA) created in May 1961. Total authorization for loans and grants to industries, public facilities, and occupational retraining will be in the neighborhood of $375 million for its first four-year period. Forty different occupations and skills are open to trainees, with courses ranging from two to sixteen weeks of training. Professor William Francois, author of Automation: Industrialization Comes of Age (1964), has catalogued the major problems of ARA: courses have proved to be too short for older people who do not learn quickly, employment cannot be assured even after an enrollee has completed the course, most of the enrollees have only a 5th- or 6th-grade education and had to be taught the three R's before being trained in such things as gyrodynamics and microminiaturization. Professor Francois states: "Studies like these cast shadows over the possibility of current programs to retrain large numbers of unemployed persons for skills that will be in demand in the future."

There is also the Manpower Development and Training Act, a project with a four-year $500 million appropriation ending June 1966, to retrain or train as many as 400,000 persons. According to Mr. Lebergott (op. cit.), "It would take forty years to eliminate present unemployment through retraining, given fiscal 1964 costs and appropriations--even if no more workers ever became unemployed. . . . The most arduous and unceasing efforts of those involved [in the Manpower program] have been required to train fewer each year--on thousands of different projects in the fifty states and territories--than are trained in one year by one major corporation. (IBM trains 100,000 a year, GM retrains about 7,200 of its workers annually.) . . . Of the 10 per cent chosen [from 234,000 Manpower candidates], two thirds were in the prime twenty-one--forty-four age group and half had been unemployed for less than fifteen

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weeks. Yet about one third of this highly select group did not find work after they had been retrained."

Let us pause. So far we can see $875 million being spent in a five-year period for what seems like a pretty ineffectual cure. (Incidentally, both Professors Francois and Lebergott are supporters of government cures for unemployment problems.) The most obvious question is Why? We can never know the total answer with certainty, but political expediency and log-rolling loom high as possibilities. These programs, I venture to say, are sugar-coated affairs which accomplish very little.

Retraining is a useless activity unless there are enough job opportunities available to absorb the trainees. In last month's issue I described some of the ways in which jobs are created in a free market economy. Excessive taxation, price-fixing, minimum-wage laws, and labor legislation do not help to create jobs; they destroy many that already exist. To use a somewhat harsh, but nonetheless accurate metaphor, the government first cripples the economy, then offers it broken crutches to stand on.

It is certainly to the self-interest of any employer to train people, if the labor market cannot supply his needs. Otherwise how can he hope to manufacture his product? If he trains people, he will seldom waste money training too many or too few people for the jobs that are available. (By what standard would a bureaucrat decide how many tool-and-die apprentices the economy needs or will need in one year?) From the employee's point of view, being trained by a private company provides a great deal of incentive, because the job he is being trained for already exists. Is it any wonder that a single corporation can do a more efficient job at training or retraining than a bureaucratic agency? Pause to consider the number of private training programs that industry might have created had the government not taken $875 million in the form of taxes. Then ask yourself, who is benefiting <u>least</u> from the multi-million dollar cure? The unskilled and the unemployed.

In addition to proposals for retraining, the government has other cures which it suggests. One that dates back to the 1930's is euphemistically called "public investment." Translated, this term means make-work schemes, relief doles, and public works (construction, etc.) to provide more employment. Professor Francois (<u>op. cit.</u>) echoes a typical view, "For the time being, at least, we are forced by necessity and expediency to rely upon CCC-type programs, public works, short-term job retraining, surplus food giveaways, and similar 'inventions' designed to buy time while other ways are found to deal with the changes brought about by increased population and automation. . . . After all, what other ones are available for use in such an emergency? . . . Like it or not, our nation must and will turn to national planning."

The taxation necessary to finance these schemes destroys as many or more jobs in industry as government can provide. No new wealth is created, thus no new jobs. "In a free enterprise economy, <u>increased production increases the number of jobs.</u> It

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might be said that one job creates another, which is true as far as it goes, but open to misinterpretation; for only productive employment does that. If a man were paid to pick up pebbles on the beach and throw them into the ocean, it would be just the same as if he were in a 'government job,' or on the dole; the producers have to supply his subsistence with no return, thus preventing the normal increase of jobs. Putting the unemployed on the dole does not increase 'purchasing power.' The dole divides up whatever is already in production. 'Purchasing power,' per se, is exchange. Increasing production does increase 'purchasing power,' and therefore creates jobs." (Isabel Paterson, The God of the Machine, 1943 & 1964)

Another popular panacea recommended to combat unemployment is credit expansion and inflation, an increase in the money supply by the government. The reasoning is that the increased amount of money can be used to increase production and jobs to counteract unemployment. In the short range, it can do so. But when the money supply increases in this way, the value of each unit of money is decreased; thus a wage earner's real wages are reduced, even though he may have the illusion that he is earning more. More money buys less. "Inflation can cure unemployment only by curtailing the wage earner's real wages. But then the unions ask for a new increase in wages in order to keep pace with the rising cost of living and we are back where we were before, i.e., in a situation in which large scale unemployment can only be prevented by a further expansion of credit. This is what happened in this country as well as in many other countries in the last years. The unions, supported by the government, forced the enterprises to agree to wage rates that went beyond the potential market rates, i.e., the rates which the public was prepared to refund to the employers in purchasing their products. This would have inevitably resulted in rising unemployment figures. But the government policies tried to prevent the emergence of serious unemployment by credit expansion, i.e., inflation. The outcome was rising prices, renewed demands for higher wages and reiterated credit expansion, in short, protracted inflation. . . . Inflation cannot go on endlessly. If one does not stop in time the pernicious policy of increasing the quantity of money and fiduciary media, the nation's currency system collapses entirely." (Ludwig von Mises, Planning for Freedom, 1952)

Probably the most curiously paradoxical government therapy is unemployment insurance. Its purpose is outlined by Professor Lebergott: "One central purpose of such systems is to prolong unemployment, to make it sufficiently bearable so that men need not be forced to take the first job available regardless of pay or working conditions." (Men Without Work, op. cit.)

Yes, he said "to prolong unemployment"! What this amounts to is a subsidy for some wage earners, allowing them to demand excessively high wages without bearing the consequences. Such high wage rates allow only a portion of those seeking work to be employed in the first place. Therefore, "the assistance of the unemployed is what first creates unemployment as a permanent phenomenon." (Ludwig von Mises, Socialism, 1951) One set of workers (those temporarily unemployed, receiving this

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assistance) is thus able to maintain its employment at the expense of all other workers who are chronically unable to find work.

Government proposals that we will probably see take concrete form in the future are: more public works to expand employment, a movement toward shorter work weeks, expansion of the domestic Peace Corps, more unemployment compensation, earlier retirement, more "social services" for depressed regions, and various antipoverty expenditures. All of this government spending will take millions in taxes. There is no need to elaborate this point. It is worthwhile, however, to examine the most fallacious of these schemes--the shorter work week.

The shorter-work-week proposal involves reducing the present work week without any change in the weekly pay in order to "spread the work" among more employees. This means a gigantic increase in costs for the employer in the form of wages and fringe benefits to two sets of employees. These costs must be absorbed in one or more of the following ways: increased prices, decreased profits, bankruptcy, or automation. Decreased profits will not aid the planners' objectives as they curtail business expansion and new job openings. A company, in order to survive the impact of increased cost, will most likely either increase prices (if the government will allow it) or automate. It has to increase productivity: it must now get the same productivity out of 30 hours work that it formerly got out of 40 hours. This means more machinery and fewer employees. Unemployment is increased.

In actual fact, shorter work weeks already in existence have not led to further employment. Employers, in order to avoid the high costs of additional fringe benefits, employ the original staff of people and pay overtime rather than hire and train new employees at great expense. The AFL-CIO's answer to this (August 1962) was to propose double-time overtime pay to discourage management from such practices. This is now part of the program of the Johnson Administration.

A horrifying variant of the shorter work week has been proposed by UAW President Walter Reuther. It is known as the "flexible" work week. Mr. Reuther has suggested an amendment of the Fair Labor Standards Act to provide for automatic adjustment of the statutory work week by the President of the U.S., based on his judgment of the level of unemployment, production, and demand. Thus the determination of the length of the work week would be placed in political hands. The consequences of such a power is staggering to contemplate. An employer would never know when his wage costs would increase or decrease arbitrarily. An employee would never know when his wages would fluctuate arbitrarily. Planning for the future would be risky for some, and ruinous for many.

Labor leaders have made other proposals to deal with the threat that they think automation poses for them. Typical labor cures take the form of contracts including such "safeguards" as the following: advance notice and consultation whenever employers plan any major changes; continuation of fringe benefits (such as insurance

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and retirement funds) during periods of layoff; training for new jobs at full pay; preservation of a substantial part of the income of those who have been laid off; negotiation of new job classifications and rates of pay whenever automation has increased skill requirements or responsibility; equitable distribution of the gains resulting from greater productivity through general wage increases, through more leisure time, or in some other manner. One wonders what "gains" labor leaders expect that great productivity can provide for them, if they insist upon forcing the negotiation of contracts of this type.

All of this leaves us where we began--with unemployment. Now, however, we can change the labels somewhat and realize that a great deal of unemployment could be called "bureaucratic unemployment." Its roots lie in Washington, D.C. Its effects are bad for laborers as a group, for consumers as a group, and for businessmen as a group.

The important question that we must answer is: What are we going to do about the unemployment problem, now that we have diagnosed its causes? Government cures either leave the problem only partially solved or make it worse. What can be done to alleviate the suffering of 3.5 million unemployed people in this country?

The first thing to remember is that there is no quick cure, no quick panacea. A problem which has been fifty years in the making is not solved overnight. Many people have suffered as a result of the increase in government therapy, more will suffer as the medicine of interventionism is withdrawn, even if in gradual stages. In the long run, however, their suffering will be less than if current government practices are continued.

It is not my purpose here, nor do I have the technical and legal knowledge, to outline a complete program for decontrolling our economy. That it needs to be decontrolled is clear, however. Government measures have created a great deal of unemployment, therefore the government is right in asserting that it must cure this illness. But not in the manner in which it currently suggests.

There is one area of control that could be dealt with swiftly--minimum-wage laws. They are the enemy of the young who attempt to enter the labor market, the old who lack specialized skills, and racial minority groups (particularly Negroes). These are all groups which government therapists currently purport to be assisting. The repeal of minimum-wage laws would give greater relief to these people than a dozen Manpower and Poverty programs. Instead of a dole or generally ineffectual training obtained at the expense of other people, the unskilled could at least become employed. A low standard of living, earned through one's own effort, is infinitely preferable to no standard of living. A low-paying job has some hope of leading to a better job; but a permanent dole means permanent impossibility of economic improvement.

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A second area which needs immediate attention is that of labor legislation, which allows unions to demand higher wage rates than the free market can bear without dire consequences. In conjunction with gradual tax cuts and a halt in inflation, the government could begin to study the methods of repealing these laws (section by section, if necessary) which have resulted in widespread unemployment.

At the same time, it is crucial that we call a halt to <u>further</u> government intervention. For example, the normal adaptive mechanisms of the market (supply and demand) should be allowed to operate as much as possible within the present context. A business should be able to raise or lower prices or wages without fearing that the President of the U.S. will retaliate with threats, or that union pressure or anti-trust suits will result. This does not mean that we arbitrarily do away with all price supports and subsidies. The livelihoods of thousands of innocent people now depend on them. Where government policy has made it necessary for citizens to depend on government tariffs, supports and funds for their livelihood, these forms of assistance cannot be arbitrarily withdrawn. If production can be freed from government interference, the first crucial step toward a healthy economy will have been taken, but it will be years, or even generations, before all government aid can be withdrawn from the disaster areas that intervention has created.

To repeat, calling a halt is the first step. If government planners could be convinced in principle of the necessity of doing this, the solution of the problems of decontrol would be easy by comparison.

What of the "here and now" problem of the individual unemployed man? He has one important task besides that of finding a new job--he must learn who are his real friends and enemies. His enemies are not the employers who automate, but the government planners who want to work for his "good," the union members who seek arbitrary wage increases, and any other man who advocates government intervention into the economy to force others to make economic decisions he deems good for himself or for someone else.

What can the unemployed man do while the process of intervention is being brought to a halt? He is certainly justified in accepting whatever unemployment benefits he is eligible for--they represent part of his past salary which his employer was forced to pay to the government instead of to him. He will have to try to retrain himself by his own effort if possible, seek an employer or private agency (they are numerous) who will train him, or move to a new location to seek a new job. Will this be easy for him? Undoubtedly not. But one can be sure of one thing, he can't be in a worse position without government therapy than he is with it. With it, he is jobless anyway. Without it, there may be hope for him in an economy which can expand rapidly enough to make use of whatever skill he has to offer.

--Joyce Jones

(This is the conclusion of a two-part article.)

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R E V I E W S

"THE POWER TO TAX IS THE POWER TO DESTROY"

Toil, Taxes and Trouble by Vivien Kellems;
E. P. Dutton & Co., Inc.; New York, 1952

The woman in the witness stand said, "The decision to take this step has not been made hastily nor has it been an easy one. There are many sincere people who will censure me for breaking the law. Knowing this and having been through one New Deal smear and persecution, I still break this law, deliberately. Before I reach Westport the income tax inspector will be ensconced in my office, completely surrounded by my private papers, my company books and my cancelled checks. He will greet me at the door, righteous indignation all over his face. Well, having gone through it all before, I can go through it again. Because you see, I made a discovery. Like all bullies and bloodsucking parasites, those mangy little bureaucrats down in Washington are at heart yellow cowards. So no matter what they do I'm standing on my rights until the court hands down its verdict."

When she had finished speaking, the attorney for the Treasury Department sprang to his feet. "If your Honor please, I move it be stricken entirely from the record."

A scene from a novel? No, those words were spoken in the Federal District Court in New Haven, Connecticut, on January 23, 1951, when Vivien Kellems (described by Rupert Hughes as "beautiful, fashionable, and vivacious") sued the government.

You may have heard of Vivien Kellems. She is the woman who refused to deduct the withholding tax from the pay of her employees in her factory in Westport, Connecticut, having publicly announced her opposition to the income tax amendment, and her conviction that the Withholding Tax Law was unconstitutional. She asked to be arrested in order to test the law. She was not.

Instead, three months after the Kellems Company ceased to withhold taxes from the pay of its employees, after the employees had all paid their taxes directly to the Bureau of Internal Revenue, four agents from the Bureau of Internal Revenue seized double the amount that they claimed should have been withheld, from Miss Kellems' bank account.

"The actual amount they took was $1,685.40. They claimed $837.70 for taxes, $837.70 for penalty and $10 interest. We had made one mistake; we had failed to keep proof that the taxes were paid. The records in the Internal Revenue Office in Hartford would show that each person had paid, and it had never occurred to me that they would collect the taxes twice. The Treasury in Washington had Mr. Healy's report and they knew the taxes were paid, but they deliberately gave out the impression that they were only collecting money for taxes which I had refused to pay. Even today some people still believe this to be true."

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Miss Kellems was refusing to collect the tax, but she carefully informed her employees of how much tax they owed, and after her initial experiences with the Bureau of Internal Revenue, her employees agreed to be photographed buying money orders to pay their taxes, and to have their money order receipts photostated. The money orders were sent to the Collector of Internal Revenue by registered mail, and these receipts were photostated also. The Kellems Company paid for the money orders, the charge for the registered letters, and of course the photostats. Miss Kellems wrote twice to the President of the United States and several times to the Secretary of the Treasury, asking to be indicted.

She was not. Instead, over a year after the first seizure of funds from her bank, the treasury agents came again. This time, they seized $6,133.80. As before, they had no court order, no warrant, no trial, no proof other than their identification as agents of the Bureau of Internal Revenue. "And this time John Fitzpatrick, Collector of Internal Revenue in Hartford, stated definitely in a letter that the full amount was for penalty. There was no question that the taxes had been paid, they admitted there was no interest due."

And now Miss Kellems sued, and after some deliberation was finally permitted her day in court. She had stopped collecting withholding taxes on February 20, 1948. She reached court three years, eleven months, and seventeen days later. For legal reasons, it was required that she file two suits, one to be decided by a jury, and one to be decided by a judge. She won the jury trial, and recovered $6,133.80. The judge decided the other case in favor of the government, but allowed Miss Kellems to recover the amount taken in the first bank raid for taxes which had previously been paid.

The constitutionality of the Withholding Tax Law was not tested.

Miss Kellems uses this story, which would be considered incredibly far-fetched in a work of fiction, as the framework for a discussion of taxes in America. "Our country was born in a tax strike," she says. The problem that the framers of the Constitution had to solve was how to ensure that the government was sufficiently financed without running the risk of future tyrannical taxation. According to Miss Kellems, this problem was solved by tying taxation directly to representation. Direct taxes were thus "in accordance with the number of people, not upon what they produced," and the founding fathers "made certain that the right to vote should be curbed and controlled by the necessity of paying taxes. When a Representative voted a tax, he voted to tax everybody because the tax was based upon numbers, not dollars."

Miss Kellems goes on to discuss the passage of the Sixteenth Amendment in 1909, which destroyed these constitutional safeguards, not recognizing that, as Miss Kellems puts it, "The power to tax is the power to destroy." Why was this amendment passed by a coalition of Republicans and Democrats? "In one of his windy

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tirades Senator Bailey used a word that suddenly leaped at me from the page and all at once I understood the extent of their destruction, the perfect crime which they committed. Senator Bailey said that they must find money, not for the needs of the Government, but for the WANTS [sic] of the Government. The WANTS OF THE GOVERNMENT!"

The Withholding Tax Law, the law that Miss Kellems specifically wished to test, was in her opinion unconstitutional because it violated the property rights of her employees (by requiring her to take from them some of their earnings before they had received them), and violated her rights as an employer (by forcing her to serve as an unpaid tax collector). She also considered it a logical extension of the income tax. "In fact, the income tax being such a perversion of our inalienable right to keep what we earn, simply cannot be collected entirely without some such resort to police state methods."

Miss Kellems' conclusion is that we must return to the original taxation provisions of the Constitution, repeal the Sixteenth Amendment, and insist on all taxes being visible.

Miss Kellems uses a style which is highly colored and personal, unfortunately sometimes to the point of invective. She undercuts the effectiveness of her argument by including in it an appeal to women on feminist grounds to repeal the tax laws which the men have passed. What is worse, she exhibits a "poor little me" attitude about the feminine mind which is belied by the very arguments of her book. "Just as it is utterly impossible for me to grasp the mechanics of the logical masculine mind," she writes, in explaining one of the Judge's decisions, "so it is not within the province of man to understand the wholly illogical, intuitive feminine mind. How can mere man be expected to understand women when we don't understand ourselves? I'm sure Judge Hincks meant to be complimentary when he suggested that I should have acted as a prudent businessman would have acted, but he expected something which just couldn't be, ever. Never in my whole life have I acted as a prudent businessman. Twenty-five years of hard knocks and bruising bumps in business have taught me a bit of control and caution but it has not changed my system of arriving at mental destinations apparently without having traversed any neural pathways or indulged in any mental processes. Addison recognized this feminine frailty when he sagely opined, 'The woman that deliberates is lost.' Prudent businessmen and lawyers know how they arrive at a decision, women never."

There is something extremely unpleasant to this reviewer in the spectacle of a woman, especially one who has majored in as rigorous a subject as economics in college, who has completed the course work for a PhD, and who has demonstrated her ability to engage in pursuits usually considered masculine, as Miss Kellems has, turning around and claiming to be different in kind from men. It is hard to interpret this other than as an attempt not only to have all the rights and privileges of a human being, but a set of special privileges also. But leaving this aside, the fact remains that Miss Kellems, even though claiming to be "illogical," has presented not only a frighteningly vivid contemporary "case history" but an inter-

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pretation of taxation history in the United States which is closely reasoned and very much worth discussing.

--Joan Kennedy Taylor

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FURTHER NOTES ON MEDICARE

At its 114th Annual Convention, the American Medical Association decided officially not to boycott the Administration's medicare bill before it becomes law. The AMA's new president, Dr. James Z. Appel, according to a news story in the June 28 issue of The National Observer, told delegates to the convention that "a boycott would be unethical and an example of bad citizenship." The same issue of The National Observer, in a separate story, reported that family doctors in Great Britain had voted against resigning from the British National Health Service as they had threatened to do on July 1. They had made demands "on pay and working conditions" which were still under negotiation with the government.

Those American doctors who may wonder what good citizenship requires of doctors these days, might be interested to know what working conditions have been protested by the 18,000 British doctors whose signed but undated resignations are still on file with the British Medical Association. They were reported briefly last March 4 in the New York Herald Tribune.

The overall charge, as reported by a committee of eight surgeons, was "that a majority of British hospitals are a menace to health." Specific charges against the totally state-controlled system include the statements that "Six out of 10 hospitals lack proper ventilation, and nine out of 10 do not sterilize surgical instruments properly."

We can only respectfully suggest that, should similar conditions ever prevail in this country, a doctor who would send a patient to have an operation in such a hospital would be neither ethical nor a good citizen.

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THE EMPEROR MUST SELL HIS NEW CLOTHES

It is difficult enough for a company to divest itself of holdings which the government has decided place it in violation of the anti-trust laws under the best of circumstances.

But what happens when a company is ordered years after a merger, to divest itself of a property that no longer exists? A story in the July 8, 1965, Wall Street Journal, by James P. Gannon gives an incredible answer--the company may be required to recreate the property and then get rid of it.

In a discussion of the hardships of divestiture, Mr. Gannon gives two examples of such bizarre forced sales. Mead Corp. bought a box plant in 1959, but dismantled it in 1963. The FTC has Mead to sell seven box plants--six real ones and the one that no longer exists. Says Mr. Gannon, "Precisely how this is to be done is not yet clear; Mead could be forced to build a whole new plant and sell it without ever using it, but it might be able to buy or rent a vacant building in Elizabeth and put box machinery in it." In another case, Beatrice Foods Co. is still discussinging with the FTC what to do about a dairy which an FTC examiner says it should not have acquired: five years ago it was swept away by a tidal wafe. Must it be rebuilt in the same location?

It just doesn't pay nowadays to be successful enough to expand, does it?

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